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PUBLIC EMPLOYEES' RETIREMENT SYSTEM MEMBER HANDBOOK

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Preface

This *Public Employees' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Public Employees' Retirement System (PERS). It is intended to give you a general idea of what your benefits are and to acquaint you with the PERS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 1999 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous PERS member handbooks.

Montana Code

The law governing the PERS may be found in Title 19, Chapters 2 and 3, Montana Code Annotated (MCA). MCA is available on line at: leg.state.mt.us/services/legal/laws.htm

References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

Introduction

Retirement Security for our Members Since 1945

The Public Employees' Retirement System (PERS) is a public pension plan for employees of the state, university system, and local governments. In 1945, the Legislature created the PERS to grant a retirement, disability, or death benefit to state workers or their heirs. Unless another state plan covers the job, the PERS will cover all state and university workers. Local governments may contract with the Board to cover their workers under the PERS. Membership of the PERS consisted of the following as of June 30, 1999:

PERS Membership

Number of participating employers	504
Active plan members	28,662
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	1,722
Non-vested	9,202
Retirees and beneficiaries receiving benefits:	
Service Retirements	12,659
Disability Retirements	314
Survivor Benefits	265

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the PERS and seven other retirement systems. The Public Employees' Retirement Board staff does the day-to-day work. Sometimes the terms PERB and PERS are confusing. Remember that the PER**B** is the **B**oard and PER**S** is the retirement **S**ystem. This handbook uses the terms "we", "us", the PERB, and Board interchangeably.

Money that you pay into the PERS earns interest and helps pay for your benefits. At the PERB, we keep track of your money in your own

account, and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the fund. Only the PER Board may authorize any payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§19-2-405, MCA)

Retirement plans may be either of two general types: defined benefit or defined contribution. A defined benefit (DB) plan guarantees a specific benefit usually based on a percentage of the member's final average salary and years of service credit. Benefits in a defined contribution (DC) plan are determined solely by the amount of contribution and earnings (investment returns) on those contributions. The current PERS retirement plan is a defined benefit plan.

The 1999 Legislature passed laws establishing a new optional retirement plan for the PERS which will be a defined contribution plan. This new retirement plan must be implemented by July 1, 2002 (§ 19-3-2131, MCA). Once this plan is operational, all current active and new members will be given an opportunity to choose membership in either the DC or DB plan. This handbook does not explain the new defined contribution retirement plan. All PERS members will be provided the opportunity for educational training to make a decision that is right for their individual circumstances. (§ 19-3-2102 and 19-3-2103, MCA)

Section I: Membership

Generally, if the PERS covers the job, then you must become a member. There are several exceptions which are explained on pages 8-10. This section provides information on membership enrollment, contributions, and service.

1. Membership Enrollment

Membership enrollment is required for most PERS-covered jobs. Optional membership for some positions is explained on the next page. Information is also provided for working retiree membership and an explanation of employees who are excluded from membership.

Membership Cards

New employees must complete a membership card upon starting work in a new job covered by the PERS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. (§19-3-401, MCA and ARM 2.43.402)

The PERB will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card. We print data from your membership card on your Personal Statement of Account which is provided to you in August each year through your payroll clerk. Check the statement carefully. If any of the Member or Named Beneficiary data is wrong, submit a new card to your payroll clerk. (§ 19-2-801, MCA and ARM 2.43.402)

Optional Membership

If you are a new employee and PERS membership is optional for your position, you may choose to become a member by filling out a membership card and an Optional Membership Election form. Your payroll clerk can supply the card and form and will send them to us after you complete them. You, not your employer, must decide if you should be a member. Once you become a member, you must follow the same laws and rules as any other member. **Do not complete a membership card if you do not want to become a member. You must terminate your job and receive a refund of your account to end your PERS membership.** §19-2-303, 19-3-401 and 19-3-412, MCA)

NOTE:
The Optional Membership Election form must be completed and returned to us even if you elect not to become a member of PERS. Complete the Optional Membership Election form waiving membership; the employer must keep a copy of that form on file and return the original to the PERB. (§ 19-3-412 MCA; 2.43.402 and 2.43.403 ARM)

Listed below are the types of employees who may choose to become members of the PERS:

- ❑ Elected official of state or local government paid on a salary or wage basis.
- ❑ Employee scheduled to work less than 960 hours per fiscal year, cumulative of all employers.
- ❑ Employee directly appointed by the Governor.
- ❑ Employee of the legislative branch, working 6 months or less, performing work related to the legislative session.
- ❑ Chief administrative officer of a city or county.
- ❑ Employee of a county hospital or rest home for a third through seventh class county.

Once a member, you may not withdraw from the PERS even if you will work less than 960 hours in the coming year. You are a member if you have contributions and service on account with the PERS. Even if you quit and later accept a job for which membership is an option, you must continue your membership if you have funds on account. In other words, if you are already a member, then your membership must continue even if otherwise it is optional. You are eligible to complete a new election form only if you received a refund of your account. If you are an elected official, you may not withdraw upon your re-election to office.

Your membership continues as long as you work in a PERS-covered job, when you have contributions and service on account.

Working Retiree Membership

A retired member may work for a limited time in a PERS-covered job without becoming an active member. Current law imposes various limits on working retirees, and if they exceed the limits, their benefit may be reduced. Every month each employer must report all working retirees to the PERB. The report must account for each retiree's total paid hours and total wages. Retirees must also report the same information; their signature on the employer's report will serve as their report. See page 28 for more details about working retirees. (§ 19-3-1106, MCA)

NOTE:
A retiree must have been retired for at least 30 days and received one benefit check before accepting a PERS-covered job.

Working retirees may elect to end retirement and become active members. They need to immediately complete a membership card and have their payroll clerk send the card to us upon this election. Upon notification, we will stop paying a benefit to a retired member who becomes an active member. When these members

are ready to retire for the second time, they must notify the PERB and we will calculate a new benefit using the additional service.

Exclusion from Membership

The following types of employees may not become members: (§ 19-3-403, MCA)

- ❑ Inmates of state institutions.
- ❑ Persons in state institutions mainly for training, but who receive pay.
- ❑ Independent contractors.
- ❑ Persons who receive credit for their current employment in any other public retirement plan, except Social Security.
- ❑ Court commissioners, elected officials, or members appointed to boards or commissions and who serve part-time and receive only per diem.
- ❑ Full-time students working at and attending the same public school, community college, or unit of the state university system.*

* A student of a public community college or a unit of the university system who later becomes a member of the PERS may qualify this time. (See Purchase of Service, on page 16.)

2. Contributions

Contributions to the PERS come from you and your employer. The following is an explanation of contributions to the PERS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to the PERS. Beginning July 1, 1999, the amount you contribute is 6.9%. Your employer will withhold this money from your gross pay and send it to us. We will credit your contributions to your individual account. (§ 19-3-315, MCA)

Interest: Your PERS account earns interest and we add it to your account each month. Currently, the interest rate is 5%, compounded annually. Each year the Board sets the rate based on trends and interest rates earned by short term U.S. Treasury notes and bills.

Generally, the interest credited to your account will not affect the amount of your retirement benefit. The exception is the money purchase plan (page 24). If you end your PERS-covered employment and leave your money on account, it will continue to collect interest.

Tax-Deferred: Since July 1985, the money you contribute to the PERS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the PERS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to the PERS. If you have taxed money in your account and elect to take a lump sum refund, or retire, then part of your refund or monthly benefit will be tax exempt.

Purchase of Service: If you are purchasing refunded service and other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by payroll deduction contract. If these contributions are not made through payroll deduction they are not tax-deferred. You will receive interest on service purchase payments at the same rate you receive for your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

Your employer also contributes to the trust fund. Beginning July 1, 1999, employers contribute 6.9% of their total PERS-covered payroll. The State contributes 0.1% of the 6.9% for local governments and school districts. Employer contributions provide "pooled" funds for retirement, disability and death benefits. The PERB does not refund employer contributions to members. (§ 19-3-316, MCA)

Refund of Contributions

Members who end PERS-covered employment may leave their money on account; it will continue to earn interest. They may also receive a refund of the money in their account. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than 3 months, you should contact us directly to apply for a refund. (§19-2-602, MCA)

When you receive a refund, you are no longer a member of PERS. You will have no right to any form of PERS benefit.

Processing Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a mandatory PERS-covered job, you will again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details see Purchase of Service, on page 16. (§19-2-603, MCA)

If you are not a vested member (less than 5 years of membership service) at the time you terminate service and you have less than $200 in accumulated contributions, you must receive a lump sum refund. If you have $200 to $5,000 in accumulated contributions, you will receive a lump sum refund of accumulated contributions unless you make a written application to have your eligible contributions rolled over to a qualified retirement plan as allowed under the Internal Revenue Code. (§ 19-2-602, MCA and ARM 2.43.406)

NOTE:
If we send the refund directly to you, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Taxes on Refunds, on page 46.

3. Service

The amount of time you work and contribute to the PERS affects the amount of your retirement benefit. The benefit you receive will depend on the number of years you work in a PERS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other benefits. You vest after you accrue five years of membership service. Once vested, you are entitled to a retirement benefit. If not vested, you may only receive a refund of your account. You earn membership service for all periods of service, whatever the hours you work or the pay you receive.

You may purchase service that will count as membership service. (See Purchase of Service, on page 16.) Retirees may not earn membership service, nor may they buy service. Your total retirement membership service may not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different. (§19-2-303, 19-2-702, and 19-3-401, MCA)

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours of work during that month. You may not get credit for more than one month even if you work more than 160 hours during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you worked 80 hours during a given month, you would earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§19-2-701, MCA; ARM 2.43.406 - 409)

Part-time Service

Upon retirement, the PERB will adjust either your service credit or Final Average Salary (FAS) if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment until retirement.

Personal Statement of Account

Each August the PERB will send you a Personal Statement of Account. Your statement will contain the following information: personal identification, your named beneficiaries, your vested benefit, service purchases, and a breakdown of your PERS account. Carefully review the statement to verify that all the information is correct. If you have changes to the member or beneficiary information, they must be submitted in writing on a membership card. Membership cards are available from your payroll office. Submit any concerns about your service, salary, or contributions, directly to the PERB in writing.

If you have part-time service, the total service reported on your Personal Statement of Account may seem wrong. The service reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. As noted above, we will make adjustments for part-time service when you retire. For example, if you work for a school district, you receive 9 or 10 months service credit for each school year. If you retire from the school district, and have always worked 9 - 10 months per year, we adjust your service to reflect full-time service. We adjust your service to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your Final Average Salary (FAS) may be based on that full-time service. When your FAS is based on full-time service, we don't adjust your part-time service.

NOTE:
We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the PERS to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing, providing specific information including your current mailing address.

Purchase of Service

Eligible members may purchase various types of retirement service. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.** More detailed information on how to request your cost statement, payment for the purchase, and the types of service which qualify is provided below and on the following pages. (ARM 2.43.425 and 2.43.433)

Request a Cost Statement: To purchase service, you must receive a cost statement. You must first write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service, including the approximate dates of service. Your former employer can usually provide you copies of relevant documents. We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the PERB can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduc-

tion. We will track your monthly payments in an additional contribution account until you complete the service purchase contract. Then we will transfer the money to your regular account and credit your account with the service. Inactive vested members or members not paid monthly may send payments directly to the PERB. For example, a member on an approved absence, such as family medical leave, may send payments directly to the PERB. If you fail to make a regular monthly payment, you give up the right to make any more payments.

Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost because of added interest or higher salaries. You may not buy any service that will qualify you for a retirement from another public retirement system outside of Montana. To buy the service, you must first receive a refund of the service from the other public system. Members must complete all service purchases before they retire.

Types of Service Which May Be Qualified:

1. Refund: If you received a refund for previous service, you may buy this refunded service. Refunded service means you terminated your job, and the PERB paid you the contributions and interest in your account. To re-purchase the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the refund would have earned if you had left it on deposit. (§ 19-2-603, MCA, and ARM 2.43.420 and 2.43.422)

2. Retroactive: Retroactive service is service with a PERS-covered employer that wasn't credited to the PERS at the time. A member who has retroactive service may buy all or a part of that service. (§ 19-3-505, MCA; ARM 2:423)

3. Montana Public Service: Members may buy service refunded, or for which they are eligible to receive a refund, from other Montana statewide retirement systems administered by the PERB.

Other full-time public service employment with the state or a political subdivision of the state may also qualify. Members may also buy service in the teacher's retirement system for which they have received, or are eligible to receive, a refund. (§ 19-3-509 and 19-3-511, MCA; ARM 2.43.420, 2.43.422)

4. Absence Due to Illness or Injury: Time that a member is absent from work due to a work-related injury or illness is considered membership service. To qualify, the illness or injury must be work-related and must not exceed 5 years. The PERB must decide the injury was work-related within one year of the member's return to work. If the member pays the contributions and interest, the absence will also count as service credit. Members lose the right to contribute for the absence if they received a refund of their account during the absence. (§ 19-3-504, MCA; ARM 2.43.424).

5. Additional ("1-for-5"): For each 5-year period of membership service, you may buy 1 year of additional service. You may buy no more than 5 years of additional service. Members eligible to buy 1 year may buy less than a full year.

Additional service is not membership service and it cannot make you eligible to retire or to purchase other types of service. We will include all service credit, including the additional "1-for-5", when calculating the amount of your retirement benefit. If you meet the requirement for early retirement, you can also use it to reduce or eliminate the early retirement reduction of your monthly benefit if you retire early. Your total service credit on your annual statement will not include the 1-for-5 service you buy; however, it will be added to your service credit when we calculate your retirement benefit. (§19-3-513, MCA; ARM 2.43.432)

6. Military: You may buy up to 5 years of active military service, if you have at least 10 years of membership service. Since July 1, 1997, military service could only be purchased at the actuarial cost. For a two-year period, July 1, 1999, to June 30, 2001, military service during the Korean or Vietnam conflicts may be purchased

at a reduced cost. After June 30, 2001, purchase for this service will revert to the higher actuarial cost. Normally, if you will receive a retirement from the military, you may not buy that military service. (§19-3-503, MCA; ARM 2.43.437)

7. Other Public Service: Vested members may buy service covered by another state, local, or federal government retirement system. If you received a refund of your account with another system, you may buy up to 5 years of service in the PERS. You may also buy the service if it occurred before the employer adopted a public retirement system. You may not use this service to qualify you to buy military service. Also, you may only count it as service credit if your last 5 years of service are with a PERS employer. (§ 19-3-510 and 19-3-512, MCA; ARM 2.43.430)

Limitations: Current law limits your purchase of military, additional, and other public service to a combined total of 5 years. For example, suppose you had 15 years of state service, 2 years of military service, and 3 years with another state. Without any limit, you would be eligible to buy 8 years of service: 3 years of additional, 2 years of military, and 3 years of other public service. However, current law limits you to only 5 years, but it can be any combination of the above service. The limit became effective January 1, 1990. Service paid for before January 1990 does not count toward the 5-year limit. In the above example, assume you bought 2 years of military service before January 1, 1990. Your limit would be 5 of the remaining 6 years.

NOTE:
The limitations above do not apply to the two-year window specified in number 6 for the Korean and Vietnam military service.

Section II: Benefits

To receive retirement benefits under the PERS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you. The benefit option you choose at retirement may also provide for a continued survivor benefit. This section explains how to qualify for retirement, the payment options available, how to calculate your benefit, and sample calculations for benefit options.

1. Qualifying for Benefits

Vesting

When you complete five years of **membership service** (explained on page 14), you become a vested member. Once vested, the PERS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a PERS-covered job and making the required contributions to the system. If vested and at least age 50, you may quit your job and apply for a monthly retirement benefit. You could also take a refund of your account, rather than a retirement benefit.

When you withdraw your account, you give up all vesting rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-3-401, MCA, and ARM 2.43.603)

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the PERS.

Inactive Vested Members

A member does not need to be an active member to be vested. You become an inactive vested member when you end PERS-covered employment and do not withdraw your PERS account. As an inactive vested member you may buy any service for which you are eligible. You may apply for a retirement benefit when you meet the minimum age and/or service requirement. (§ 19-3-401, MCA)

Non-Vested Members

If you quit your job before you vest, you may not continue to buy service. You will not be eligible for a retirement benefit later. However, you are eligible for a refund of the money in your account. The PERS will pay you interest until you receive the refund. (See page 13 for information on refunds for non-vested members.)

General

You will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security. Upon your death, if you select Option 2 or 3, your contingent annuitant will receive a benefit for life. Section III explains payment options.

2. Service Retirement

PERS members are eligible to receive benefits upon meeting certain requirements. The PERS defined benefit plan provides benefits for members as outlined on the following pages.

Normal Service Retirement

You are eligible for a service retirement benefit when you meet **any** of the following criteria:

- Age 60, with at least 5 years membership service.
- Age 65 and in active service.
- 30 years of membership service at any age.

As stated earlier, the PERS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. The PERS retirement benefit is based on your highest consecutive 36 months of salary . This does not have to be your last 36 months of employment. It may come from earlier in your career. (§19-3-901, and §19-3-904, MCA)

The Basic formula for a monthly service retirement in the PERS is:
1/56 x years of **Service Credit x Final Average Salary (FAS)**

An explanation of the factors follows:
(A) Your years of service credit is the amount of full time service you earned (see page 14).
(B) 1/56 is a factor that determines how much of your FAS you get for each year of service credit. It is equal to 1.785% (.01785).
(C) FAS is the average of your highest consecutive 36 months of salary. Add your highest consecutive 36 months of salary and divide by 36 to get the average monthly salary.
Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit		_____
(B) Factor (percentage)	x	.01785
(C) FAS (monthly)	x	_____
Monthly Benefit	=	_____

(Sample from page 38)		
(A)		18
(B)	x	.01785
(C)	x	$1,750
	=	$ 562

Early Service Retirement

You are eligible for early service retirement if you meet **either** of the following criteria:

- Age 50, with at least 5 years membership service.
- 25 years of membership service at any age.

For early service retirement, the PERB reduces the amount of your benefit by an early retirement factor (ERF). The ERF depends upon how many years it will take you to reach age 60 or 30 years of membership service. We will use the ERF that gives you the larger benefit. To estimate your early service retirement you must first calculate your Option 1 service retirement benefit from Table 2 on pages 32-33 or from your calculated estimate on the previous page. Next, select the ERF from the table below which applies to you. If both an age and service category apply to you, then use the largest factor. (§ 19-3-902 and 19-3-906, MCA)

TABLE 1: EARLY RETIREMENT FACTORS

AGE	EARLY RETIREMENT FACTOR (ERF)	YEARS OF MEMBERSHIP SERVICE
59	0.940	29
58	0.880	28
57	0.820	27
56	0.760	26
55	0.700	25
54	0.664	26
53	0.628	Members under age 50 with less than 25 years of membership service are not eligible for early retirement.
52	0.592	
51	0.556	
50	0.520	

Money Purchase

In addition to the defined benefit, the PERS also has a money purchase plan. The money purchase plan is based on your age, and two times the balance of the regular contributions and interest in your account. It is a monthly benefit just like the normal service retirement. It will not include amounts paid for additional and military service, or the employer's share of any retroactive service the member paid. If you retire after a long period as an inactive member, the money purchase may give you a larger benefit. **We will calculate a member's benefit using both methods, and you will receive the larger of the two.** You will receive the money purchase for life, and you may also choose any of the payment options. (§19-3-904, MCA)

Following is one example of when the money purchase plan would be larger than a normal retirement benefit:

You terminate your PERS employment at age 36 with 9 years of service and a final average salary (FAS) of $3,200. In 14 years, at age 50, you are eligible for early retirement and your accumulated contributions in the PERS now total $48,000. The normal monthly retirement benefit would be:

1/56 x years of Service Credit x FAS x Early Retirement Factor
1/56 x 9 x $3,200 x .520 = $267 per month

Using the Money Purchase factors, the monthly benefit would be $426, or $159 more than the normal monthly retirement benefit.

NOTE:
Your benefit remains fixed once you end your active service. However, your account will continue to earn interest, and it grows over time. Eventually, the money purchase will be larger than the defined benefit formula. The money purchase plan helps compensate for inflation. As stated above, we will calculate a member's benefit using both methods and you will receive the larger of the two.

3. Disability Retirement

To qualify for a disability retirement, you must meet the following requirements. You must be a vested member (have at least 5 years of membership service). The disability must be total and permanent, but if not permanent, then at least of uncertain duration. Your disability must prevent you from doing the essential elements of your job. Employers must catalog the essential elements of your job. The disability need not be work-related, but it must exist during your active membership.

Effective Date of Disability Benefit

Once the board grants disability, benefits are effective the day after you terminate your employment. You should apply for disability while you are an active member. If you terminate your job first, then you must apply within four months and prove your disability occurred before you terminated. You may still apply for disability after 4 months have passed since you terminated; however, you must prove your disability occurred before you terminated and was continuous from when you terminated. (§ 19-3-1002, MCA)

Disability Benefit

A disabled member will receive a monthly benefit equal to:

1/56 x years of **Service Credit x Final Average Salary**

This is the same formula used to calculate your service retirement benefit. The money purchase alternative is not used for a disability benefit. Also, we don't use early retirement factors to reduce your benefit. A disability retiree may elect any of the 4 benefit payment options available to service retirees. (§ 19-3-1008, MCA)

NOTE: Members who joined the PERS before February 24, 1991, could choose disability coverage under the old or new disability laws. If you chose coverage under the old law, contact us for more facts about eligibility and the amount. Under the old law,

a disabled member could receive a monthly benefit equal to one of the following, whichever is the larger amount:

1. A benefit equal to: **.90 (1/56 x FAS x** years of **Service Credit)** (Years of service credit include additional service purchased.)

2. A benefit equal to: **.25 x FAS**

Disability Reviews

The Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to decide if the member still qualifies for disability retirement. (§ 19-3-1015, MCA)

Employment

While receiving a disability benefit, you may earn other income, but the law limits how much you may earn. This limit is the monthly amount you were earning when you became disabled. For any month that your other income **plus** your benefit is more than the limit, the PERB will reduce your benefit. Your benefit will be reduced $1 for every $1 your earnings are over the limit. After receiving a disability benefit for 36 months, you may request that we adjust your limit for inflation. (§ 19-3-1103, MCA)

The PERB will review the monthly income of all disability retirees every year. You must report your annual income on forms provided by the PERB.

The limit applies to all income you earn. Unlike service retirement, it does not apply to any PERS-covered income. **If you accept a PERS-covered job, we will reinstate you to active service and cancel your disability retirement benefit.**

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases:

- ❑ The member is no longer totally disabled and can return to his or her former job.
- ❑ The member accepts a PERS-covered job.
- ❑ The retiree refuses to submit the results of a current medical exam for review.

(§ 19-3-1015 and 19-3-1104, MCA)

NOTE: When you reach normal retirement age (60), we will convert your disability to a service retirement. The benefit will not be adjusted; the amount will be the same. Converting to service retirement will end medical reviews and eliminate the earning limit. It will also void any reemployment rights you may have had. If you accept a PERS-covered job after conversion, your limits will be the same as for all other service retirees. See the next page for more information on Working Retirees.

Contact us for complete details about disability benefits and how to apply.

Working Retiree

Many members may work in a PERS-covered job after they retire. The exception is members receiving a disability retirement. A retiree receiving a disability benefit must become an active PERS member immediately upon employment in any PERS-covered job. The law imposes some limits on working retirees depending on your age. Your limit is 640 hours of employment if you are less than age 65. We will reduce your benefit $1.00 for each $1.00 earned from employment more than 640 hours. This limit applies to each calendar year and the PERB will only reduce your benefit when you exceed the limit. If you are 65 or older, then your limit is either 640 hours or an earning limit, whichever is higher. The earning limit is equal to your FAS adjusted for inflation. Your retirement benefit plus what you earn must be less than your FAS or earning limit. The earning limit will apply only to pay from your PERS-covered job. Any money you earn from other sources will not apply to your limit. Neither the remainder of the limit nor any part of what you earn may be carried over from year to year. When both limits apply, the PERB will apply the limit that gives you the highest income. Whichever limit applies, we will reduce your benefit $1.00 for each $1.00 you earn from employment that exceeds the limit. No earning or hour limit will apply to any retiree who is age 70½ or older. The above limits apply only to PERS retirees and to employment covered by the PERS.

Any retiree working in a PERS-covered job may become an active member. If the retiree becomes an active member, the PERB will stop the retiree's benefit. When the member retires for the second time, we will include the additional service when calculating the new benefit. (§19-3-1106, MCA)

Each month your PERS employer must certify the paid hours you work in a PERS-covered job and how much pay you receive. Only the hours for which you receive pay will count toward the 640-hour

limit. Any donated hours do not count, and you don't need to report them. We will supply the form necessary to report your hours and wages as a working retiree. Both you and your employer must report this data to the PERB; however, your signature on the employer's report will suffice as your report. We do not require a report for a month in which you do not work. If you become an active member, the report is not required. (§19-3-1106, MCA, and ARM 2.43.506)

The PERS covers most positions with the state, university system, local governments, and school districts. If unsure, you should ask potential employers if the PERS covers the position before you start work.

Involuntary Termination

A special provision requires the state and university system to pay part of the cost of buying additional service if you are involuntarily terminated. To be eligible for the provision you must be: a state employee; and, eligible for service or early retirement under the PERS. Your termination must be the result of reorganization, closure of an agency, or a reduction in force. You must also waive any other benefits that you may be eligible for under the State Employee Protection Act. The provision allows you to receive up to 3 years of additional service, if you are eligible; however, the state may only pay part of the cost.

If you accept the additional service, then special restrictions besides those previously discussed will apply to you. You may work only 599 hours within the same jurisdiction whether or not the PERS covers the job. Even if coverage is optional, you may not work more than 599 hours. All state agencies and units of the university system are the same jurisdiction, namely the State of Montana. Local government units are separate jurisdictions. If you exceed the 599-hour limit, you will forfeit the additional service. We will recalculate your benefit without the additional service credit. (§19-2-706, MCA, and ARM 2.43.451 and 2.43.452)

For example, assume you are under age 65, and you are involuntarily terminated from a state agency due to reorganization. You decide to retire, and the state pays part of the cost of buying you 3 years of additional service. Later you accept a job with a state agency. We will apply both the 599- and 640-hour limits to you. If you work more than 599 hours, you will lose the additional service the state bought for you. We will recalculate your benefit without the 3 years of additional service. If you work more than 640 hours, we will reduce your benefit $1.00 for each $1.00 you earn from work exceeding 640 hours. Exceeding these limits can be very costly. If you have questions, call us before you exceed the limits. (Be sure to complete the working retirees form each month.)

Independent Contractors

The above limits do not apply if you work under an independent contract. However, the contract must meet the test for independence. An independent contractor is an individual engaged in an independent trade, occupation, profession, or business. The contractor is always under contract and free from control or direction over the performance of the services. Factors which decide independence include but are not limited to the following:

- Exercise of control — contractor control of the means by which the work is done shows independence.
- Method of payment — payment based on hours — shows employment rather than independence.
- Furnishing of equipment — contractor furnished equipment shows independence.
- Right to fire — employer right to fire the contractor shows employment rather than independence.

A contract failing any of theses tests for independence is employment and subject to the above limits.

Section III: Payment Options

When you retire, you must select a benefit payment option. Currently, the PERS offers four benefit payment options. Some options provide for another person to receive your benefit after your death. That person is your "contingent annuitant." (§ 19-3-1501, MCA)

If you are married, your spouse must witness your choice of payment option and sign the retirement application.

This section provides information on each option, a table to help you calculate your benefit, and some sample calculations.

1. OPTION 1

Option 1 is the largest monthly amount you may choose. Option 1 is also the basis for all other options. The benefit is computed using the defined benefit or the money purchase formula. If you retire early, then the early retirement factor will reduce your benefit. Members who choose Option 1 will receive the benefit for life. Upon the member's death, the designated beneficiary will receive any balance left in the member's account. That account balance is the amount available at retirement less the total benefits paid to the member. All monthly benefit payments end upon the retiree's death.

NOTE:
Once you choose an Option 1 retirement you may not make a change after cashing your first benefit payment.

Table 2. Service Retirement Benefit

Option 1 Monthly Benefit *
Disability Retirement Benefit **
(Age 60 and over, or at least 30 years of membership service)

Years service credit	FINAL AVERAGE SALARY (FAS)***										
	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500	$1,600	$1,700	$1,800	$1,900	$2,000
5	89	98	107	116	125	134	143	152	161	170	179
6	107	118	129	139	150	161	171	182	193	204	214
7	125	138	150	163	175	188	200	213	225	238	250
8	143	157	171	186	200	214	229	243	257	271	286
9	161	177	193	209	225	241	257	273	289	305	321
10	179	196	214	232	250	268	286	304	321	339	357
11	196	216	236	255	275	295	314	334	354	373	393
12	214	236	257	279	300	321	343	364	386	407	429
13	232	255	279	302	325	348	371	395	418	441	464
14	250	275	300	325	350	375	400	425	450	475	500
15	268	295	321	348	375	402	429	455	482	509	536
16	286	314	343	371	400	429	457	486	514	543	571
17	304	334	364	395	425	455	486	516	546	577	607
18	321	354	386	418	450	482	514	546	579	611	643
19	339	373	407	441	475	509	543	577	611	645	679

20	357	393	429	464	500	536	571	607	643	679	714
21	375	413	450	488	525	563	600	638	675	713	750
22	393	432	471	511	550	589	629	668	707	746	786
23	411	452	493	534	575	616	657	698	739	780	821
24	429	471	514	557	600	643	686	729	771	814	857
25	446	491	536	580	625	670	714	759	804	848	893
26	464	511	557	604	650	696	743	789	836	882	929
27	482	530	579	627	675	723	771	820	868	916	964
28	500	550	600	650	700	750	800	850	900	950	1,000
29	518	570	621	673	725	777	829	880	932	984	1,036
30	536	589	643	696	750	804	857	911	964	1,018	1,071
31	554	609	664	720	775	830	886	941	996	1,052	1,107
32	571	629	686	743	800	857	914	971	1,029	1,086	1,143
33	589	648	707	766	825	884	943	1,002	1,061	1,120	1,179
34	607	668	729	789	850	911	971	1,032	1,093	1,154	1,214
35	625	688	750	813	875	938	1,000	1,063	1,125	1,188	1,250

*Rounded to the nearest whole dollar.

**Members not choosing “new” disability benefits will receive 90% of this amount.

***Average of the highest consecutive 36 months.

Note:If your FAS is not shown, you can add the amount from two or more columns to get your benefit. For example, if your FAS is $3,500 and you have 20 years of service, then $2,000 + $1,500 = $3,500; your monthly benefit will be $714 + $536 = $1,250.

2. Option 2

Option 2 is less than Option 1, but your contingent annuitant will receive the same benefit after your death. Option 2 is an annuity based on the lives of two people. Initially, the member receives the benefit for life, then the same benefit continues to the contingent annuitant for life. To compute your Option 2 benefit, multiply your Option 1 benefit by the Option 2 factor. The factor is based on the age difference between you and your contingent annuitant. See Table 3 on the next page for a list of Option 2 factors. The larger the age difference, the smaller the factor, and the smaller your benefit. For example, your benefit will be much smaller if the age difference is 20 years rather than 1 or 2 years.

3. Option 3

Option 3 is very similar to Option 2. It is also an annuity based on the lives of two people. Initially, the member receives the benefit for life, then **one-half of the benefit** continues to the contingent annuitant for life. Because the contingent annuitant receives half the member's benefit, the member's benefit is larger than the Option 2 benefit. Compute Option 3 the same as Option 2, using Option 3 factors. See Table 3 on the next page for a list of Option 3 factors.

NOTE:
With Option 2 and Option 3, if your contingent annuitant dies before you, you may choose to revert to the Option 1 benefit amount. Contact us for more information. Page 37 provides a brief explanation of the limited circumstances which will allow you to change the Option.

TABLE 3. PAYMENT OPTION 2 & 3 FACTORS

Multiply the Option 1 service retirement benefits from Table 1 on pages 32-33, times the applicable factor for Options 2 or 3.

	AGE DIFFERENCE IN YEARS	FACTORS OPTION 2	FACTORS OPTION 3
Member Older Than Contingent Annuitant	15	0.8109	0.8956
	14	0.8139	0.8974
	13	0.8170	0.8993
	12	0.8202	0.9012
	11	0.8236	0.9032
	10	0.8270	0.9053
	9	0.8304	0.9074
	8	0.8340	0.9095
	7	0.8376	0.9116
	6	0.8414	0.9138
	5	0.8451	0.9161
	4	0.8490	0.9183
	3	0.8529	0.9206
	2	0.8568	0.9229
	1	0.8608	0.9252
	0	0.8649	0.9275
Member Younger than Contingent Annuitant	1	0.8689	0.9299
	2	0.8730	0.9322
	3	0.8771	0.9345
	4	0.8811	0.9368
	5	0.8852	0.9391
	6	0.8892	0.9414
	7	0.8932	0.9436
	8	0.8972	0.9458
	9	0.9011	0.9480
	10	0.9049	0.9501
	11	0.9086	0.9521
	12	0.9123	0.9541
	13	0.9159	0.9561
	14	0.9194	0.9580
	15	0.9228	0.9599

4. Option 4

Option 4 can also provide a continuing benefit to one or more contingent annuitants. As with all options, the member will receive the monthly benefit for life. If the retiree dies before the end of the "certain" or guaranteed period, the contingent annuitant(s) will receive the benefit for the balance of the period. Payments to the contingent annuitant(s) will stop when the guaranteed period ends. This benefit has two sub-options.

- **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. This option provides a monthly benefit equal to 97.40% of the Option 1 benefit. **You will receive this benefit for life.** If the member dies within the 10-year period, then the contingent annuitant(s) will receive the same benefit. However, benefit payments to contingent annuitant(s) will end when the 10-year period ends. The 10-year period begins on the member's effective date of retirement.

  Upon the death of any contingent annuitant, others may be designated without changing the monthly benefit. Contingent annuitant(s) receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

- **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The monthly benefit will be equal to 91.48% of Option 1 benefit. Other than the length of time, the 10- and 20-year period certain options are the same. The 20-year period begins on the member's effective date of retirement.

NOTE: Under certain circumstances, for Option 4, you may change the contingent annuitant or choose a new option. See the next page for an explanation of the circumstances which will allow for the change.

5. Changes to Options

If you select Options 2, 3, or 4 you may have the right to change your contingent annuitant after retirement or choose a new option if one of the following conditions are met.

- The original contingent annuitant dies.
- The member and the contingent annuitant divorced and the court did not grant the contingent annuitant the right to receive part of the benefit.

The retired member must designate a new contingent annuitant or payment option in writing within 18 months of the death of or divorce from the designated contingent annuitant. Please contact us to get an estimate of the new benefit and an application form to select a new option.

The following applies to members who retire after October 1, 1999: A retired member receiving an Option 2 or 3 retirement benefit who meets the above requirements may file a written application to have the Option 2 or 3 retirement benefit revert to the higher retirement benefit, Option 1, as was available at the time of the member's retirement. (§ 19-3-1501, MCA)

6. Sample Calculations

Service Retirement

Wanda Retire, Age 60
Service Credit ..... 18 years
Final Average Salary (full-time salary) ..... $1,750 per month
Account Balance at Retirement $28,796
Contingent Annuitant's Age 61

Option 1 Formula: 1/56 x Service Credit(years) x FAS
1/56 x 18 x $1,750 = $562.50/month

Under Payment Option 1, Wanda will receive a benefit of $562.50 each month for the remainder of her life. Upon her death, her beneficiaries will receive the balance of her account. The balance is equal to the amount at retirement less all benefits paid to her. The PERB will pay the balance in one lump-sum payment.

Option 2 Formula: Option 1 Amount x Option 2 Factor
$562.50 x .8689 = $488.76 per month

If Wanda elects Option 2, she will receive a benefit of $488.76 each month for the remainder of her life. Upon her death, the PERS will pay the same amount, $488.76, to her contingent annuitant for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$562.50 x .9299 = $523.07 per month

Option 3 will provide Wanda a benefit of $523.07 each month. Upon Wanda's death, her contingent annuitant will receive, for life, ½ of Wanda's benefit payment, or $261.53.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9740
$562.50 x .9740 = $547.88 per month

20-Year certain: Option 1 Amount x 0.9148
$562.50 x .9148 = $514.58 per month

If Wanda chooses the 10-year certain payment option, she will receive $547.88 per month, for life. Should she die before the 10-year period ends, then her contingent annuitant(s) will receive $547.88 per month. The total payment to all contingent annuitant(s) is $547.88, not $547.88 to each. Payments will continue for the rest of the 10-year period. If Wanda dies after the 10-year period ends, all payments end. Her contingent annuitant(s) won't receive any payments.

If Wanda chooses the 20-year certain payment option, she will get $514.58 per month, for life. Should she die before the end of the 20-year period, the contingent annuitant(s) receive a total of $514.58 per month. Payments end when the 20-year period ends. In the event she dies after the 20-year period ends, her contingent annuitant(s) won't receive any payments.

The 10- and 20-periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are always the same.

Early Service Retirement

Kenny Retire, Age 51
Service Credit ..... 25 Years
Final Average Salary (full-time salary) ..... $1,500 per month
Account Balance at Retirement $42,796
Contingent Annuitant's Age 51

Option 1 Formula:

1/56 x Service Credit(years) **x FAS x Early Retirement Factor**
1/56 x 25 x $1,500 x .70 = $468.75/month

The early retirement factor is .70 for Kenny. Two factors could apply to Kenny, either .556 for age 51 or .70 for 25 years of service credit. We use .70 because it gives Kenny a larger benefit. See Table 1 on page 23 for a list of early retirement factors. Under Payment Option 1, Kenny will receive a benefit of $468.75 each month for the remainder of his life. Upon his death, his beneficiaries will receive the balance of his account. The balance is equal

to the amount at retirement less all benefits paid to him. We will pay the balance in one lump-sum payment.

Option 2 Formula: Option 1 Amount x Option 2 Factor
$468.75 x .8649 = $405.42 per month

Option 2 will provide Kenny $405.42 per month for the rest of his life. Upon his death, Kenny's contingent annuitant will receive the same monthly benefit, $405.42, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$468.75 x .9275 = 434.77 per month

Option 3 will provide Kenny a benefit of $434.77 each month. Upon Kenny's death, his contingent annuitant will receive, for life, ½ of his benefit payment, or $217.39

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9740
$468.75 x .9740 = $456.56 per month

20-Year certain: Option 1 Amount x 0.9148
$468.75 x .9148 = $428.81 per month

If Kenny chooses the 10-year certain payment option, he will get $456.56 per month, for life. If he dies before the 10-year period ends, then his contingent annuitant(s) receive a total of $456.56 per month. Payments will continue for the rest of the 10-year period. Should Kenny die after the 10-year period ends, all payments end. His contingent annuitant(s) won't receive any payments.

If Kenny chooses the 20-year certain payment option, he will receive $428.81 per month, for life. Should he die before the end of the 20-year period, the contingent annuitant(s) receive a total of $428.81 per month. Payments end when the 20-year period ends. In the event he dies after the 20-year period ends, his contingent annuitant(s) won't receive any payments.

Section IV: Additional Information

1. Death Benefits

Upon your death, if you are receiving an Option 2, 3, or 4 retirement benefit, your contingent annuitant would receive the benefit as explained in Section III: Payment Options. Under these Options, there is no additional death benefit to a named beneficiary.

If you die as an active or inactive member, a named beneficiary may receive a death benefit under limited circumstances as explained on the next two pages.

Beneficiaries

Members may designate any persons, charitable organization, or trust they wish as their beneficiaries. You must designate your beneficiaries on a PERS membership card and give the card to your payroll clerk. The clerk will send the card to us. Whenever you wish, you may name new beneficiaries by sending us a new membership card. If you are an inactive member, call us and we will send you a new card. Beneficiaries are either primary or contingent. Contingent beneficiaries will receive something only if no living primary beneficiary exists. (§ 19-2-801 and 19-2-802, MCA)

Keep your designated beneficiaries current. You may change your beneficiaries only by completing a new membership card.

NOTE: Advise your beneficiary to contact the PERB for complete details about benefits in the event of your death.

Death Benefit Claim - Active or Inactive Member

Upon receipt of notification of a member's death, we will send a death benefit claim to the designated beneficiary. To make a claim for a death benefit, the beneficiary must return the form to the Board along with written proof of the member's death. A copy of the death certificate is the best document to send. (§ 19-3-1201, MCA)

Account Balance - Retired Member

If you do not retire under Option 2, 3, or 4, and you die before receiving benefits equal to your account (your contributions plus interest), your beneficiaries will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any benefit payments you received. (§ 19-3-1210, MCA)

Service Death Benefit

In some cases, the PERS will pay a death benefit to a member's beneficiaries in addition to the member's account balance. This benefit is 1/12 times the last 12 month's pay times 6 or the member's years of service credit, whichever is less. Interest will also be paid on this benefit to the month the benefit is paid. This benefit will be paid if the member's death occurs in any of the following cases:

- while in active service;
- within 6 months after active service but before receiving a benefit;
- within 6 months after a disability benefit begins; or
- during disability, which has been continuous since leaving active service, when the member is not receiving a disability retirement benefit.

Under these circumstances, a beneficiary can receive the death benefit as a lump sum or a fixed monthly annuity payment. The fixed monthly annuity payment alternative is explained below.

Monthly annuity payments are guaranteed for life. The amount of the monthly payment will not change. Increases that may apply to other monthly benefits will not apply to these monthly annuity payments. To receive the monthly annuity payments, the beneficiary must send a written election to the Board. (§ 19-3-1201 and 19-3-1203, MCA)

Survivorship Benefit

Generally, a beneficiary eligible to receive a service death benefit can choose to receive a survivorship benefit instead. A survivorship benefit is calculated based on the value of a vested member's potential benefit if the member had not died before receiving the benefit.

A survivorship benefit is also a monthly payment for life but is often more than the monthly annuity payment. Benefit increases such as the GABA also apply to the survivorship benefit but do not apply to annuity payments.

To receive a survivorship benefit, a beneficiary must apply within 90 days after receiving notice they are eligible for a death payment. (§ 19-3-1204 and 19-3-1205, MCA)

2. Benefit Increases

The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible.**

GABA

The GABA insures a **minimum** increase of 1½% over the previous year. Other events which increase your benefit will reduce the amount you get from the GABA. If the other increases are 1½% or more, then you will get no increase from GABA. (§19-2-1101 and §19-3-1605, MCA)

The GABA applies to:

- Service Retirement
- Early Service Retirement
- Disability Retirement
- Survivorship Benefit

It also applies to recipients, other than members, such as contingent annuitants and survivors. It **does not apply** to a person receiving the lump-sum death payment as an annuity.

Eligibility for GABA Benefits

You must meet some conditions before you will get a raise under the GABA. First, you must receive your benefit for at least 36 months. For example, if you retired on July 1, 1997, you will meet the 36-month requirement on July 1, 2000. You won't receive your first GABA raise until January 1, 2001. Also, you will not receive a GABA increase if you work in a job covered by any other state retirement plan.

Effective Date of GABA Benefits

We will apply the GABA increase to your benefit on January first of each year. It will be in your January benefit payment.

NOTE:
Your January benefit payment is mailed to you on the last working day of January. If you get your benefit by electronic transfer, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With electronic transfer, you receive your money 1 or 2 days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you have paid the tax on any additional contributions you paid to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money; you must pay taxes on that part. (§19-3-315, MCA)

Tax Statements

Once retired and receiving a benefit, each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the PERS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We will withhold 20% for tax purposes if we send the refund directly to you. Taxable amounts for state and federal taxes may be different, because the state does not tax the interest. You may avoid paying

the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund also allows you to avoid the penalty. IRS rules allow you 60 days to roll the refund over. Remember, when you receive the refund directly, the IRS requires us to withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes.

If you receive the payment, we must withhold federal taxes and the IRS will charge for an early withdrawal. Roll the money over and no money will be withheld for taxes.

You will receive a Distributions Form (Federal Form 1099R) with the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, including a Family Law Order (FLO), the court may assign your PERS benefits to another person. A FLO must be a judgment, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the PERB to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may not require the PERB to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the PERB to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the PERB may pay you. (§ 19-2-907 and 19-2-909 MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The PERB is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you write to the Board, please include your full name, printed and signed, your Social Security Number, and your return address and daytime telephone number. Address your correspondence to:

Public Employees' Retirement Board
1712 9th Avenue
PO Box 200131
Helena MT 59620-0131

Or, send your questions or comments to our e-mail address:
perb@state.mt.us

For updated information on the PERB and to view publications on-line, visit our web site at:
http://www.state.mt.us/doa/perb/perb.htm

We invite you to call or visit the PERB in Helena. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. You don't need an appointment for general questions; however, to discuss benefit estimates or cost statements, you should make an appointment at least 7 days in advance. Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a PERS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

ANNUITY - equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

BENEFIT - a service or disability retirement or survivorship provided by the PERS.

CONTINGENT ANNUITANT - a person the retired member names to receive a continuing benefit after the member's death.

CONTRACTING EMPLOYER - a political subdivision of the state that contracts with the Board to cover its employees under the PERS.

CREDITED SERVICE or SERVICE CREDIT - the periods in which you contribute the required money to the PERS. The PERB uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

DESIGNATED BENEFICIARY - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

EMPLOYEE - a person employed by a PERS employer in any capacity and the employer pays the person's salary.

EMPLOYER - the state, its university system, or political subdivisions that contract with the Board to cover their employees under the PERS.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FINAL AVERAGE SALARY (FAS) - a member's highest average monthly pay during any 36 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your FAS may include termination payments, but only if they replace regular pay on a month for month basis.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

INACTIVE MEMBER - a member who ends PERS-covered employment and does not withdraw his or her PERS account.

IRA - an individual retirement account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the PERS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the PERS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the PERS.

REFUND - a withdrawal of all the money in a member's PERS account. By taking a refund, the member gives up all rights to any other benefits from the PERS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the PERS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - the payments made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SURVIVORSHIP BENEFIT - monthly payments for life to the beneficiary of a vested member who died while an active member.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The PERB will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

Attn: Lucie Willson
Public Employees' Retirement Board
PO Box 200131
Helena, MT 59620-0131

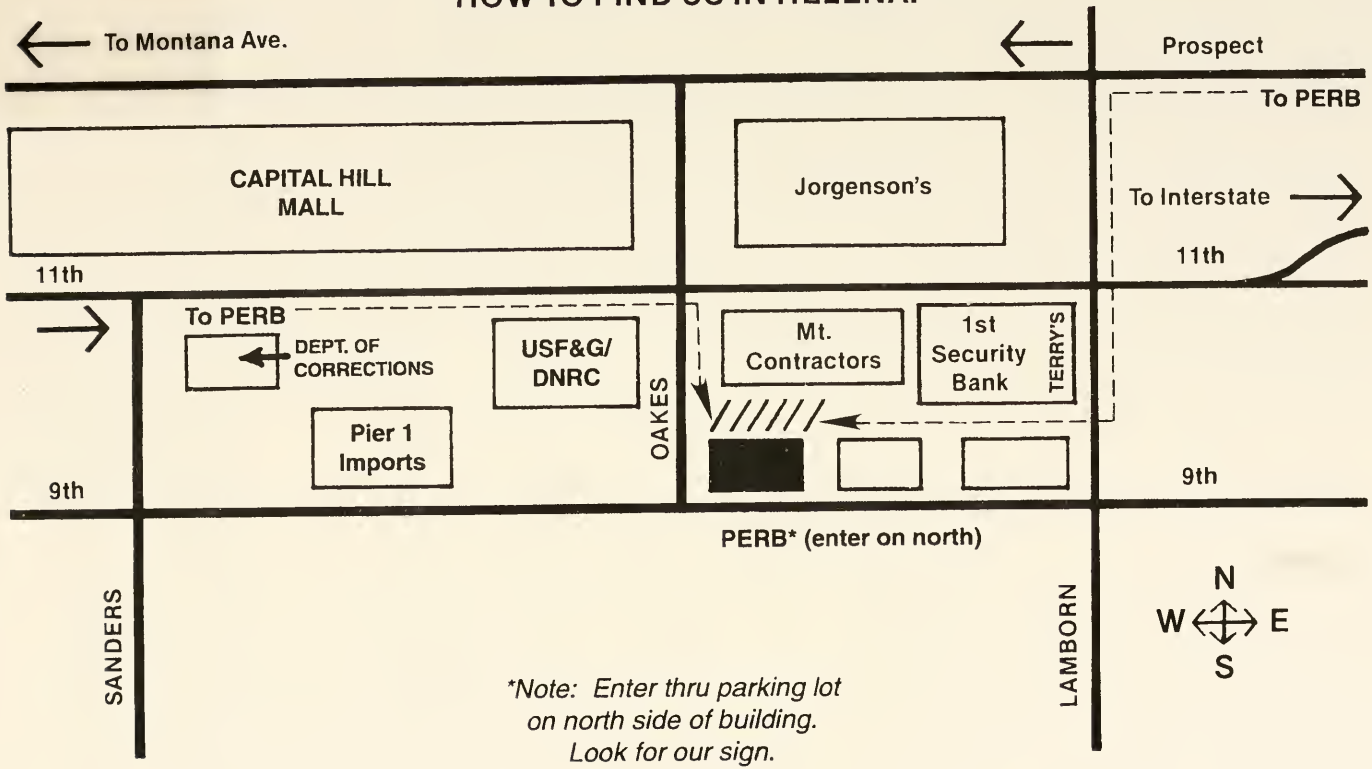
You may contact the PERB at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
Fax: 406-444-5428

For more information, contact:

Department of Administration
Personnel Service Section
Phone: 406-444-3871
TDD no. 406-444-1421.

HOW TO FIND US IN HELENA:



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40,000 copies of this public document were published at an estimated cost of 27¢ per copy, for a total cost of $10,800.00, which includes $10,800.00 for printing and $.00 for distribution.